

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 RSC-01 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

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R 272040Z DEC 74

FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC 7109

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY TEGUCIGALPA

UNCLAS SAN SALVADOR 5079

E.O. 11652 - N/A

TAGS: ECRP, EGEN, EFIN, ES

SUBJ: NATIONAL ACCOUNTS SUBMISSIONS (EXPENDITURE, PRODUCT AND
BALANCE OF PAYMENTS)

GUATEMALA ALSO FOR ROCAP

1. THE FOLLOWING IS A SUMMARY OF THE COMMENTS ACCOMPANYING THREE
NATIONAL ACCOUNTS PRESENTATIONS, ALL DECEMBER REVISIONS OF 1972
AND 1973 AND ESTIMATES OF 1974 BY THE CENTRAL RESERVE BANK (BCR)
SUBMITTED UNDER OUR A-183 OF DECEMBER 30. THE BCR ASKS THAT
THESE DATA NOT BE DISSEMINATED PUBLICLY.

2. GDP GROWTH FOR 74 IS ESTIMATED AT 5 PERCENT IN 1962 CON-
STANT COLONES AND 17.9 PERCENT AT MARKET VALUE. REVISED 1972
AND 1973 GDP DATA INCREASE TO 2,911.9 AND 3,363.8 MILLIONS
RESPECTIVELY, INCREASING GROWTH PERCENTAGES AT MARKET PRICES
FOR 72/71 FROM 6.3 TO 7.7 PERCENT AND FOR 73/72 FROM 13.6
TO 15.5 PERCENT (REAL GROWTH REMAINS 5.1 PERCENT). EMBASSY
CONTINUES TO CONSIDER 5 PERCENT REAL GROWTH FOR 74 HIGH,
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ESTIMATING REAL AT 4 PERCENT WITH A DEFLATOR AT 13 OR 14 PER-

CENT.

3. THE EXPENDITURE ACCOUNT ESTIMATES CONSUMPTION INCREASE OF 23 PERCENT, WHICH WITH A TRADITIONAL REAL GROWTH OF 4 TO 5 PERCENT, SUPPORTS OUR ESTIMATED COST OF LIVING INCREASE OF 18-20PERCENT. THE INVESTMENT FUNCTION HAS BEEN LOOKED TO TO MAINTAIN GROWTH, COMPENSATING SOMEWHAT FOR THE LARGE EXTERNAL ACCOUNT LEAKAGE. THE GROSS INVESTMENT ESTIMATE OF \$73 MILLION RESULTS MOSTLY FROM A 90 PERCENT PUBLIC INVESTMENT INCREASE; FIXED CAPITAL FORMATION IS SEEN INCREASING BY 39 PERCENT.

4. THE NATIONAL ACCOUNT BY PRODUCT ESTIMATE FOR 74 CONTRASTS GREATLY FROM THE BCR'S PROJECTION IN JANUARY. AGRICULTURE, LOOKED TO FOR 22 PERCENT GROWTH, IS UP ONLY 4.3 PERCENT DUE TO TRADITIONAL EXPORT PRODUCT PRICE DECLINES AND A DISAPPOINTING GRAIN HARVEST. COMPENSATING HIGH PERCENTAGE GROWTHS ARE SEEN IN MANUFACTURING (17), CONSTRUCTION (32) AND UTILITIES (48).

5. BALANCE OF PAYMENTS ESTIMATES ARE GIVEN ONLY FOR THE CURRENT ACCOUNT (CAPITAL ACCOUNT DATA WILL BE AVAILABLE FIRST WEEK OF JANUARY) AND REFLECT THE BCR'S DECEMBER REVISION TO A \$130 MILLION DEFICIT. IMPORT (CIF) GROWTH IS PUT AT 45 PERCENT, EXPORT AT 24 PERCENT. IMPROVEMENT IS ESTIMATED ONLY IN THE SERVICES ACCOUNT. WE BELIEVE THE PROJECT IS OVERLY PESSIMISTIC, ESTIMATING A MERCHANDISE DEFICIT OF \$94.4 MILLION, SINCE BOTH THE COFFEE AND SUGAR EXPORT ESTIMATES APPEAR CONSERVATIVE. WE WOULD EXPECT A CURRENT ACCOUNT DEFICIT ON THE LOW END OF A \$110 TO \$120 MILLION RANGE AND A BASIC BLANCE DEFICIT OF ABOUT \$70 MILLION. PUBLIC EXTERNAL DEBT IS SAID TO HAVE INCREASED THIS YEAR BY \$150 MILLION, TO \$280 MILLION, WITH A DEBT SERVICE RATIO OF 3.1 FOR 74 AND 5.3 FOR 75. NET INTERNATIONAL RE-SERVES HIT A LOW OF \$36 MILLION IN OCTOBER BUT WITH COFEE AND IMF OIL FACILITY RECEIPTS STOOD AT \$66 MILLION NOVEMBER 30.

6. FOR 75, WE FIND AGREEMENT IN CONAPLAN WITH OUR ESTIMATE OF REAL GROWTH BETWEEN ZERO AND TWO PERCENT. THE EXTERNAL ACCOUNT WILL NOT IMPROVE, BUT THE VENFUN SHOULD RESULT IN UNCLASSIFIED

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LESS DOMESTIC SALE OF PUBLIC BONDS TO MEET COUNTERPART REQUIREMENTS FOR PUBLIC INVESTMENT.

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